

PROPOSED RESOLUTION

AGENDA ID#14710 (Rev. 1)

ITEM #12

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS

Water and Sewer Advisory Branch

RESOLUTION W-5088

April 7, 2016

RESOLUTION

**(RES. W-5088) DEL ORO WATER COMPANY. ORDER AUTHORIZING A
RATE BASE OFFSET REVENUE INCREASE, PRODUCING AN
INCREASE IN GROSS ANNUAL REVENUES OF \$18,007, OR 42.47%.**

SUMMARY

By Advice Letter 426, filed on November 24, 2015, Del Oro Water Company seeks a rate base offset for its Arbuckle District for the emergency improvements to both Wells Numbers 1 and 2 in the amount of \$118,503, which would result in an increase in annual revenues of \$18,007, or 42.47%.

This Resolution grants an increase of \$18,007, or 42.47%, over revenues earned under current rates, which will not result in a rate of return greater than the last authorized general rate case for Del Oro Water Company.

BACKGROUND

Del Oro Water Company (DOWC), a Class B water utility, requests authority under General Order (G.O.) 96-B, Water Industry Rules 7.3.3 (8), and Section 454 of the Public Utilities Code to increase its rates by \$18,007 or 42.47% for a rate base offset of \$118,503 for the emergency improvements to both Wells No. 1 and 2 for its Arbuckle District (Arbuckle).

The last general rate increase for Arbuckle was granted on December 3, 2009 pursuant to Resolution W-4805, which authorized a general rate increase of \$13,543, or 52.2%, and a rate of return of 10.8% for Test Year 2009. The present rates became effective on April 13, 2015 by approval of Advice Letter (AL) 400, which authorized a Consumer Price Index-Urban increase of \$337 or 0.8%.

PROPOSED RESOLUTION

**Resolution W-5088
DWA**

April 7, 2016 (Rev. 1)

DOWC presently provides service to approximately 54 metered rate customers in the subdivision known as Almond Ranch Estates and vicinity, approximately five miles north of Arbuckle, Colusa County.

NOTICE AND PROTESTS

AL 426 was served in accordance with G.O. 96-B and the notice was mailed to Arbuckle's customers on November 24, 2015. One protest from the President of Almond Ranch Homeowner's Association was received by the Division of Water and Audits (DWA) and DOWC replied accordingly.

DISCUSSION

On June 6, 2015, Arbuckle experienced a district-wide outage when the water table dropped below the level of the bowls for wells number (No.) 1 and No. 2. An emergency engineering and pump contractor team was able to restore water and provide a temporary repair dis-assembling Well no. 1 and using the parts to extend the bowls in Well no. 2. Consequently, Well no. 2 supplied water to the system and Well no. 1 was out of service.

DOWC had arranged for a well driller, North State Electric & Pump (NSEP) to inspect the wells and lower the bowls; however, the sudden and unexpected dramatic drop in the water table due to increased agriculture irrigation pumping in the surrounding area occurred less than one week before the scheduled inspection.

Following the temporary repair, DOWC's engineers, Luhdorff & Scalmanini Consulting Engineers (LSCE) were retained immediately to investigate the circumstances and evaluate options. LSCE designed specifications, consulted with the State Water Board Redding Office as well as Arbuckle College City Fire Protection District, and set for bid a project to lower the bowls in both wells and install larger pump motors. The bidders included Aisco-Geyer Irrigation, Inc. (AGI) and NSEP. Despite several calls to AGI which were not returned, the only response was from NSEP.

Following the temporary repair, Arbuckle issued a Declaration of Water Emergency and notification to the consumers was sent by mail on July 27, 2015 to notify customers of a public meeting to be held on July 30, 2015 to explain the situation and the costs associated with the emergency repairs and replacement.

PROPOSED RESOLUTION

Resolution W-5088
DWA

April 7, 2016 (Rev. 1)

The emergency project included lowering of the bowls in both wells and an increase in size of the motors to 75 horsepower for a total cost of \$118,503.

DWA reviewed the documentation associated with the emergency improvements, including invoices supporting the expenditures. DWA confirmed that: (1) the requested cost recovery associated with the plant improvements does not exceed the authorized rate of return (see Appendix A); and (2) these plant improvements have been completed and are currently used and useful.

A field inspection conducted by DWA staff on January 27, 2016 verified that the plant improvements were prudent investments and are used and useful. DWA reviewed the invoices and found the expenses to be reasonable.

The new rate base is shown in Appendix A. DWA recommends that the Commission approve the summary of earnings shown in Appendix A and the rate increases and resulting rates shown in Appendix B.

This resolution authorizes an increase of \$18,007, or 42.47%, over current metered rates. The increase of 42.47% is applied both to the existing meter service charge and to the existing quantity rate. The current metered rates were adopted per Resolution W-4805, Arbuckle's last general rate case. This increase will not result in a rate of return greater than the last authorized general rate case for DOWC.

SAFETY, COMPLIANCE, AND CONSERVATION

In terms of safety and water conservation, Arbuckle's emergency improvements are necessary for insuring adequate amounts of water for safe and reliable service.

DOWC has been filing annual reports as required.

COMMENTS

Public Utilities Code section 311(g)(1) requires that a proposed resolution be served on all parties, and be subject to a public review and comment period of 30 days or more, prior to a vote of the Commission on the resolution.

PROPOSED RESOLUTION

Resolution W-5088
DWA

April 7, 2016 (Rev. 1)

Accordingly, this proposed resolution was mailed to the utility and its service list, and made available for public comment on March 8, 2016. No comments were received.

FINDINGS

1. On June 6, 2015, Arbuckle experienced a district-wide outage when the water table dropped below the level of the bowls for Well no. 1 and Well no. 2. An emergency engineering and pump contractor team was able to restore water by dis-assembling Well no. 1 and using the parts to extend the bowls in Well no. 2.
2. Del Oro Water Company had arranged for a well driller, North State Electric & Pump to inspect the wells and lower the bowls; however, the sudden and unexpected dramatic drop in the water table due to increased agriculture irrigation pumping in the surrounding area occurred less than one week before the scheduled inspection.
3. The emergency project included lowering of the bowls in both wells and the increase in size of the well motors to 75 horsepower for a total cost of \$118,503.
4. The increase in rate base of \$118,503 and the resulting annual revenue requirement increase of \$18,007 or 42.47% are reasonable and should be adopted.
5. The Division of Water and Audits' recommended summary of earnings (Appendix A) is reasonable and should be adopted.
6. The rates recommended by the Division of Water and Audits (Appendix B) are reasonable and should be adopted.

PROPOSED RESOLUTION

Resolution W-5088
DWA

April 7, 2016 (Rev. 1)

THEREFORE, IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Del Oro Water Company to file a supplemental Advice Letter with the revised rate schedules attached to this Resolution as Appendix B and concurrently cancel its presently effective rate Schedules: Schedule No. AR-2, Residential Metered Service. The effective date of the revised schedules shall be five days after the date of filing.
2. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on April 7, 2016; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

PROPOSED RESOLUTION

Resolution W-5088
DWA

April 7, 2016 (Rev. 1)

APPENDIX A

DEL ORO WATER COMPANY ARBUCKLE DISTRICT

Summary of Earnings Test Year 2015

	Adopted Res. W-4805 12/3/2009	CPI-U Increases & offset	Actual 2014	Rate Base Offset	Earnings Test at Recommended Rates
OPERATING REVENUES:					
Metered Rates	\$39,463	\$2,942	\$42,377	\$18,007	\$60,384
TOTAL OPERATING REVENUES	39,463	\$42,405	42,377	18,007	60,384
OPERATING EXPENSES					
Purchased Power	8,351		9,085		9,085
Other Volume Related Expenses	0		487		487
Employee Labor	3,176		3,110		3,110
Materials	312		157		157
Contract Work	981		0		0
Water Testing	0		430		430
Transportation Expense	2,431		3,101		3,101
Office Salaries	3,418		3,492		3,492
Management Salaries	869		791		791
Employee Pension and Benefits	960		1,150		1,150
Uncollectibles	55		0		0
Office Service and Rentals	650		768		768
Office Supplies and Expenses	941		3,058		3,058
Professional Services	146		88		88
Insurance	912		1,056		1,056
Regulatory Commission Expense	167		0		0
General Expenses	427		580		580
SUBTOTAL	23,796		27,353		27,353
Depreciation	961		6,200	3,550	9,750
Taxes Other than Income	695		369		369
State and Federal Income Taxes	3,154		3,155	2,663	5,818
TOTAL DEDUCTIONS	28,606		37,077	6,213	43,290
NET REVENUE	10,857		5,300		17,094
RATE BASE					
Average Plant	812,644		827,357	116,726	944,083
Average Accumulated Depreciation	11,162		121,568	3,555	125,123
NET PLANT	801,482		705,789	113,171	818,960
Less Advances	0		0		0
Less Contributions	701,456		623,121		623,121
Plus Materials	500		500		500
Plus Working Cash	0		0		0
RATE BASE	100,526		83,168	113,171	196,339
RATE OF RETURN	10.8%		6.38%		8.71%

END OF APPENDIX A

PROPOSED RESOLUTION

Resolution W-5088
DWA

April 7, 2016 (Rev. 1)

APPENDIX B DEL ORO WATER COMPANY ARBUCKLE DISTRICT

Schedule No. AR-2 RESIDENTIAL METERED SERVICE Test Year 2015

APPLICABILITY

Applicable to all metered rate residential water service.

TERRITORY

The subdivision known as Almond Ranch Estates and vicinity, approximately five miles north of Arbuckle, Colusa, California.

RATES

Quantity Rate:

All water used, per 100 cu.ft	\$ 1.25	(I)
-------------------------------	---------	-----

Service Charge:

Per Meter
Per Month

For	5/ 8 x 3/ 4-inch meter	\$ 32.77	(I)
For	3/ 4-inch meter	49.15	
For	1-inch meter	81.93	
For	1-1/ 2-inch meter	163.83	
For	2-inch meter	262.14	
For	3-inch meter	491.50	(I)

The service charge is a readiness-to-serve charge, which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
2. A late charge will be imposed per Schedule No. L.C.
3. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in that unit, at the company's option, be furnished on the account of the landlord or property owner.

END OF APPENDIX B

DEL ORO WATER COMPANY

ADVICE LETTER NO. 426

SERVICE LIST

California Public Utilities Commission

Division of Ratepayer Advocates

dra_water_al@cpuc.ca.gov

Del Oro Water Company

Janice Hanna, Director of Corporate Accounting

jeh@corporatecenter.us

Stephanie Sprague, Staff Accountant

ses@corporatecenter.us

Tara Campbell, Staff Accountant

tlc@corporatecenter.us

Cheryl Carter, Accounts Receivable

cmc@corporatecenter.us

Del Oro Water Company, Inc.

servicelist@delorowater.com

Kathleen Moran, Colusa County Clerk

ccclerk@countyofcolusa.org

Arbuckle Public Utility District

Jim Scheimer, Manager

apud@frontiernet.net

Fred Perry, President of Almond Ranch

Homeowner's Association

fredperry@frontier.com

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5088 on all parties in these filings or their attorneys as shown on the service list.

Dated March 8, 2016 at San Francisco, California.

/s/DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.